

ORIGINAL
OPEN MEETING



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MEMORANDUM

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2005 JAN 24 P 12:46

Arizona Corporation Commission

TO: THE COMMISSION
AZ CORP COMMISSION
DOCUMENT CONTROL
FROM: Utilities Division

DOCKETED

JAN 24 2005

DATE: January 24, 2005

DOCKETED BY

[Signature]

RE: IN THE MATTER OF THE APPLICATION OF SOUTHWEST GAS CORPORATION FOR APPROVAL OF SPECIAL GAS PROCUREMENT AGREEMENT WITH EUROFRESH, INC. (G-01551A-04-0890)

On December 14, 2004, Southwest Gas Corporation ("Southwest") filed for Commission approval of a special gas procurement agreement ("SGPA") with Eurofresh, Inc. ("Eurofresh"). On January 11, 2004, in Decision No. 67521, the Commission suspended the filing for sixty (60) days.

Southwest has served Eurofresh under SGPAs for a number of years. Southwest currently serves Eurofresh under a SGPA approved by the Commission in Decision No. 63939 (August 6, 2001).

Southwest's filing requests approval of the SGPA such that it would have an effective date of January 1, 2005 or as directed by the Commission and be effective through December 31, 2005, subject to termination on a month to month basis beyond that date. Given the timing of the filing and subsequent suspension by the Commission, action by the Commission to approve this SGPA would not occur until some time in February 2005 at the earliest. Southwest will already have billed Eurofresh for their January 2005 usage before the Commission has acted on the proposed SGPA. Therefore, the proposed SGPA should not have an effective date until February 1, 2005.

Southwest is requesting approval of the SGPA under Schedule G-30, Optional Gas Service. Schedule G-30 is available to customers who can establish that bypass of Southwest is economically, operationally, and physically feasible and imminent. Eurofresh is located approximately five miles from El Paso Natural Gas Company's ("El Paso") interstate pipeline system. Staff has reviewed Eurofresh's usage characteristics and believes that bypass is a viable option for Eurofresh. Further, Southwest has indicated that the proposed SGPA is necessary to avoid such a bypass. The proposed SGPA contains provisions recognizing that service to Eurofresh could be impacted if El Paso were to issue an overpull alert or if some or all of Southwest's block two El Paso pipeline capacity is recalled by California.

Southwest has indicated that it will enter into gas supply contracts for Eurofresh's gas requirements which are separate from Southwest's general system supply contracts and that this supply will be accounted for separately from Southwest's general system supply. Southwest has

THE COMMISSION

January 24, 2005

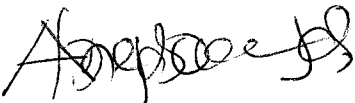
Page 2

further indicated that it will use pipeline capacity to serve Eurofresh which is not needed to serve its core customers.

The specific charges for serving Eurofresh were provided to Staff under a confidentiality agreement. Staff has reviewed the charges included in the proposed SGPA and believes that the revenues Southwest would receive would cover its cost of serving Eurofresh. However, if conditions change, it is theoretically possible that Southwest could experience a negative margin from this SGPA.

As required by Schedule G-30, Southwest will credit the Purchased Gas Adjustor bank balance with all upstream pipeline capacity charges collected from Eurofresh. This will benefit Southwest's core customers.

Eurofresh has a viable alternative to being served by Southwest. Staff recommends approval of the filing. Staff further recommends that the effective date of the SGPA be February 1, 2005. Staff further recommends that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

for 
Ernest G. Johnson
Director
Utilities Division

EGJ:RGG:lhmvJG

ORIGINATOR: Robert Gray

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MARC SPITZER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION
OF SOUTHWEST GAS CORPORATION
FOR APPROVAL OF A SPECIAL GAS
PROCUREMENT AGREEMENT WITH
EUROFRESH, INC.

DOCKET NO. G-01551A-04-0890
DECISION NO. _____
ORDER

Open Meeting
February 8 and 9, 2005
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Southwest Gas Corporation ("Southwest") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission.
2. On December 14, 2004, Southwest filed for Commission approval of a special gas procurement agreement ("SGPA") with Eurofresh, Inc. ("Eurofresh").
3. On January 11, 2004, in Decision No. 67521, the Commission suspended the filing for one sixty (60) days.
4. Southwest has served Eurofresh under SGPAs for a number of years. Southwest currently serves Eurofresh under a SGPA approved by the Commission in Decision No. 63939 (August 6, 2001).
- ...
- ...

1 5. Southwest's filing requests approval of the SGPA such that it would have an
2 effective date of January 1, 2005 or as directed by the Commission and be effective through
3 December 31, 2005, subject to termination on a month to month basis beyond that date.

4 6. Given the timing of the filing and subsequent suspension by the Commission,
5 action by the Commission to approve this SGPA would not occur until some time in February
6 2005 at the earliest. Southwest will already have billed Eurofresh for their January 2005 usage
7 before the Commission has acted on the proposed SGPA. Therefore, the proposed SGPA should
8 not have an effective date until February 1, 2005.

9 7. Southwest is requesting approval of the SGPA under Schedule G-30, Optional Gas
10 Service. Schedule G-30 is available to customers who can establish that bypass of Southwest is
11 economically, operationally, and physically feasible and imminent.

12 8. Eurofresh is located approximately five miles from El Paso Natural Gas Company's
13 (El Paso) interstate pipeline system. Staff has reviewed Eurofresh's usage characteristics and
14 believes that bypass is a viable option for Eurofresh. Further, Southwest has indicated that the
15 proposed SGPA is necessary to avoid such a bypass.

16 9. The proposed SGPA contains provisions recognizing that service to Eurofresh
17 could be impacted if El Paso were to issue an overpull alert or if some or all of Southwest's block
18 two El Paso pipeline capacity is recalled by California.

19 10. Southwest has indicated that it will enter into gas supply contracts for Eurofresh's
20 gas requirements which are separate from Southwest's general system supply contracts and that
21 this supply will be accounted for separately from Southwest's general system supply.

22 11. Southwest has further indicated that it will use pipeline capacity to serve Eurofresh
23 which is not needed to serve its core customers.

24 12. The specific charges for serving Eurofresh were provided to Staff under a
25 confidentiality agreement. Staff has reviewed the charges included in the proposed SGPA and
26 believes that the revenues Southwest would receive would cover its cost of serving Eurofresh.
27 However, if conditions change, it is theoretically possible that Southwest could experience a
28 negative margin from this SGPA.

17. Staff has further recommended that any negative margin resulting from this agreement not be recovered from other ratepayers in any future proceeding.

3. The Commission, having reviewed the application and Staff's Memorandum dated January 24, 2005, concludes that it is in the public interest to approved the filing, as conditioned.

IT IS FURTHER ORDERED that effective date of the SGPA be February 1, 2005.

...

1 IT IS FURTHER ORDERED that any negative margin resulting from this agreement not
2 be recovered from other ratepayers in any future proceeding.

3 IT IS FURTHER ORDERED that this Order shall become effective immediately.

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5 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**
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7
8 CHAIRMAN

COMMISSIONER

COMMISSIONER

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11 COMMISSIONER

COMMISSIONER

12 IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto, set my hand and caused the official seal of this
15 Commission to be affixed at the Capitol, in the City of
16 Phoenix, this _____ day of _____, 2005.

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18 _____
19 BRIAN C. McNEIL
Executive Secretary

20 DISSENT: _____

21
22 DISSENT: _____

23 EGJ:RGG:lhmvJG
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Decision No. _____

SERVICE LIST FOR: Southwest Gas Corporation
DOCKET NO. G-01551A-04-0890

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